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THE TELEGRAPH MONOPOLY.

IN the brief space of thirty years, the telegraphs of the world have grown to nearly half a million miles of line, and more than a million miles of wire,—or a length equal to forty circuits of the earth. The number of messages now annually sent can scarcely be computed. Every country in the world that possesses even the elements of civilization has experienced the benefits of the telegraph, to a greater or less extent. China, however, still refuses to permit the establishment of an inland system,—there being as yet but twenty-four miles of line within that empire. All other governments of the world have extensive lines, and are continually enlarging the facilities for telegraphic communication. Of all countries, our own has the greatest length of lines and wire, and sends the greatest number of messages. At the close of the year 1880, there were in the United States 170,103 miles of line, and during that year 33,155,991 messages were sent. The miles of wire were about 300,000. This does not include the lines used exclusively for railroad business. The other countries having the greatest length of lines are as follows: Russia, 56,170 miles; Germany, 41,431; France, 36,970; Austria-Hungary, 30,403; Australia, 26,842; Great Britain, 23,156; British India, 18,209; Turkey, 17,085; and Italy, 15,864.* In the principal governments of the world, except the United States, the telegraph is a part of the postal system; but in this country private corporations construct and control all telegraph lines. The Western Union Telegraph Company, however, has absorbed other companies, until at this time it has the whole telegraphic system of the United States in its exclusive control, with a few unimportant exceptions. The growth of the Western Union

* See "American Almanac," 1881, page 42.

Company presents one of the most remarkable instances on record of the grasping power of corporations. In 1856, it began its corporate career under its present name, with the sanction of the legislature of New York, its authorized capital being half a million dollars, only three-fourths of which had been issued at that time. It has grown step by step, until its capital stock, since the recent consolidation, has reached the sum of \$80,000,000. Capital stock is presumed to represent the amount of money expended in the building up of the property of the company; but such a presumption would do violence to all the facts in the history of the Western Union Company. The issuing of scrip or stock dividends has constituted one of the chief features of its corporate management. Scrip dividends have been declared to the amount of over four hundred per cent. of its capital at one time. A careful examination of the history of the company will show that, prior to the recent consolidation, of a capital stock nominally amounting to \$41,000,000, over \$26,000,000 was the product of scrip dividends: the remainder, \$15,000,000, represents the money actually invested.

From 1856 to the present time, the Western Union Company has absorbed more than sixty different telegraph companies,—the last and greatest of its feats in the absorption of rival lines having just been accomplished. It has now purchased the property and franchises of the American Union and the Atlantic and Pacific Companies. The consideration paid embraced another enormous issue of watered stock. New issues of Western Union stock to the amount of \$15,000,000 were paid to the American Union Company, and \$8,400,000 to the Atlantic and Pacific; while scrip dividends, amounting to over \$15,000,000, were paid to the holders of Western Union stock, representing what the company is pleased to denominate the amount of earnings which it has invested in construction and purchase of other lines since 1866, but which is more properly called “pure water.” The actual cost of the plant of the American Union Company cannot have exceeded \$6,000,000; and fifty cents on the dollar of the nominal capital of the Atlantic and Pacific Company would be a very liberal estimate of the actual cost of its property. Hence, we have in the issue of \$39,000,000 of additional stock in the purchase of the two companies named, at least \$28,000,000 of watered stock,

making the whole amount of watered stock in the nominal capital of \$80,000,000 in the consolidated corporation nearly \$55,000,000, and leaving only \$25,000,000 to represent the actual capital invested. While the consolidated companies may have cost \$25,000,000 for construction, yet it is believed by those best informed that their entire property can be reproduced with new material for not exceeding \$20,000,000. If then the capital stock of the consolidated companies were \$20,000,000, and the directors would be content with eight per centum interest upon such capital, after paying all expenses and keeping the property in repair, the people would have no reason to complain of private management. But a nominal capital of \$80,000,000 has been created, and dividends upon this enormous inflation will be exacted from the business of the country for all time to come. The people are naturally concerned as to what may be their rights in the premises. Judging the future by the past, we have no assurance that watering stock and absorbing rival companies are to cease. It was supposed, until the recent consolidation was suggested, that a capital stock of \$41,000,000, bottomed on an actual expenditure of \$15,000,000 of money, was an achievement sufficiently great to satisfy the cupidity and ambition of the most pretentious corporation. But there seems to be no limit to the power of this company to absorb its rivals and water its stock. If there were any ground for hope that the present consolidation would be the last of its kind, we might with some approximation to exactitude compute the result and the effect upon the future business of the country. Eighty million dollars of stock, upon which future dividends are to be paid of at least eight per centum per annum, would require \$6,400,000 annually to supply the demand. The \$20,000,000 actually invested might, properly managed, earn eight per centum per annum, or \$1,600,000. Hence the profit to be exacted from watered stock by this company amounts to \$4,800,000 every year. This tax, thus levied upon and exacted from the business of this country by the Western Union Company, upon this fictitious stock, is equal to a permanent debt of \$150,000,000 of three-per-centum Government bonds.

The profits of the Western Union Company during the past ten years have averaged over eight and one-half per cent. upon its nominal capital of \$41,000,000. For the year 1880, its net profits were \$5,833,938, or over fourteen per centum upon its whole capital. Notwithstanding this enormous profit for the

past ten years, covering a period, from 1873 to 1876, of the greatest financial depression and prostration of all kinds of business, yet we are informed by the terms of the agreement for the consolidation, that over \$15,500,000 in addition have been earned since 1866, and invested in construction and purchase of other lines. We also learn that in 1879 \$6,000,000 of its own stock, which had been purchased by the company with its earnings, was divided among its stockholders. It has also purchased with its earnings half the stock of the Atlantic and Pacific Company, which had a market value of about \$2,000,000. These facts will illustrate the enormous profits of the Western Union Company. How long will the people submit to this exaction—this tax upon the business and industry of the country? That will depend upon the power and disposition of the Government to furnish a remedy. Unless a corporation created by one of the States is more powerful than the Government of the United States, the people will find a way to escape from the clutches of this monopoly.

Various means of relief have been suggested; some of them deserve to be carefully considered.

First. The regulation by the States and by the General Government of the rates to be charged for the transmission of messages. By a decision of the Supreme Court of the United States, in the case of the Pensacola Telegraph Company (6th Otto, p. 7), it was held that the powers conferred upon Congress to regulate commerce with foreign nations and among the several States, and to establish post-offices and post-roads, were not confined to the instrumentalities of commerce or of the postal services known or in use when the Constitution was adopted, but keep pace with the progress of the country, and adapt themselves to the new developments of time and circumstances. Chief-Justice Waite, in delivering the opinion in this case, said: "Since the case of Gibbons against Ogden (9 Wheat., 1), it has never been doubted that commercial intercourse is an element of commerce which comes within the regulating power of Congress. Post-offices and post-roads are established to facilitate the transmission of intelligence; but commerce and the postal service are placed in the power of Congress because, being national in their operation, they should be under the protecting power of the National Government."

The Court held further that these powers of the General

Government extend from the coach to the railroad, and from the railroad to the telegraph, as new agencies are successively brought into use to meet the demands of increasing population and wealth. It having been decided that the sending of messages by telegraph is commerce within the meaning of the Constitution, and that Congress may regulate such commerce among the States, whatever control over the subject is implied by the term "regulate" may be exercised by Congress as to all messages sent from one State to another.

Whatever right the several States may have to regulate the rates to be charged by railways within their limits, that same right they have to regulate the rates for sending telegraphic communications. The power "to regulate" is somewhat indefinite, and the extent to which Congress may go in the regulation of commerce among the States is still a disputed question; but it is conceded that railroad corporations are common carriers, and that, as such, their rates must be reasonable, and that they cannot practice unjust discrimination or extortion. A similar rule must apply to telegraph companies in the transmission of messages. Congress has never assumed heretofore the right to regulate either the rates upon railroads or telegraph lines, and whether the power exists to fix arbitrarily such rates as to interstate commerce is a disputed question. The fixing of reasonable rates to be charged for the transmission of telegraphic messages, involving, as it would, State and national legislation, and the enforcement of the observance of such rates by private companies, would be attended with so many difficulties as to make this means of relief exceedingly doubtful, if not impossible.

Second. Another means of relief which has been proposed is to the effect that Congress should authorize the construction of telegraph lines at the Government expense, to be operated in connection with the Post-Office Department, leaving the lines now owned by corporations to be managed by them in their own way. A bill has been introduced in the House of Representatives by Mr. Ellis, of Louisiana, and is now pending before the House committee on post-offices and post-roads, which provides for the erection of a line of telegraphs between Washington and Boston, with offices at New York, Philadelphia, Baltimore, and other intermediate cities. This measure has in view the testing of the question of Government ownership and control of telegraphs. It

would not interfere directly with the existing companies, but would be in opposition to them, and the rates for messages on the Government lines, between the points named in the bill, would be fixed by Congress. While this is intended as an experiment, it looks ultimately to an extension of that system so as to embrace all parts of the country, and bring the various post-offices of the Union into coöperation with the telegraph lines. Whether such a system of Government postal telegraph can be made self-sustaining, in competition with private enterprise, can only be determined by practical tests. Private companies would be compelled to reduce their rates, at all points reached by Government lines, to the postal standard. Should the business be insufficient to remunerate both the public and private systems, one or the other must inevitably break down. Any deficiencies in the Government service could be supplied by Congressional appropriations, as is now done in the postal service. But private enterprises would not long remain in existence unless remunerative. If the business of the country is sufficient to support two systems, there can be no valid objection to a postal telegraph in competition with private enterprise. But the fear is that private enterprise would maintain lines only where the business was great, and abandon all other routes. This would leave the non-paying business to be done by the Government, and compel a ruinous competition with private companies at paying points. That an exclusively Government system can be self-sustaining is proved by the experience of other governments, and by the enormous profits of the Western Union Company in this country. If, therefore, the property of existing companies can be purchased at the actual cost value thereof, without any reference to the market value of the stock, which represents rather the value of the monopoly than of the plant, such purchase and exclusive Government control would seem to be the wiser policy to be pursued. The propriety of making an effort in good faith on the part of the Government, to secure an appraisement of the property of existing telegraph companies, with a view to its purchase, upon fair and reasonable terms, before establishing a postal telegraph in competition with such companies, will be discussed hereafter in this article.

Third. It has been proposed that Congress should aid some private corporation, and form a kind of Government copartnership with it, by means of which, without any appropriation of

public funds, individual enterprise could be successfully intrusted with the telegraphic business of the country at greatly reduced rates, without the possibility of expense to the Government. A bill having this object in view is now pending in Congress, introduced into the Senate by Senator Kirkwood, of Iowa, in the month of January. This bill proposes to aid the United States Postal Telegraph Company, a corporation created under the laws of the State of Iowa, in the construction and operation of telegraph lines in the United States. It confers the same privileges, powers, and franchises upon that corporation which were conferred by the act of Congress of July 24th, 1866, upon all telegraph companies which should file a written acceptance of the conditions and restrictions of the act, and, in addition, authorizes the company to use post-offices of the fourth class, and postmasters and post-carriers in the transmission and delivery of messages. It also provides for a uniform rate of twenty cents for twenty words, exclusive of addresses, to and from all parts of the United States, the District of Columbia, and the Territories. No appropriation is asked of Congress, and no increase of Government expense would be required. The advantages claimed for this measure are that it would furnish a uniform and reasonable rate for the transmission of messages, and that it would at the same time be free from the objections urged against a Governmental postal system, that it concentrates too much power in the hands of the Government. Of course, the company which asks this aid of Congress would be compelled to compete with existing companies in the transmission of messages, and what effect its passage would have upon existing lines is difficult to determine. But, in any event, it would compel the reduction of rates between points where the semi-Government service was established to the rates fixed by law, viz., twenty cents for twenty words to all parts of the country. A similar proposition was submitted to Congress in 1871, but was not favorably considered.

Fourth. Another measure of relief from the exactions of the telegraph monopoly which has been suggested, is that which provides for the purchase of existing lines, and their ownership by the Government, and the operation and extension of the system hereafter under exclusive Government control. In 1866, the telegraph companies obtained important privileges and franchises from the General Government, viz., the right

to construct, maintain, and operate lines of telegraph through and over any portion of the public domain, over and along any of the military or post roads, and across the navigable waters of the United States. They were also empowered to use from the public lands the necessary stone, lumber, and other materials to be used in the construction and operation of their lines, and to preëempt public lands for stations. They were prohibited, however, from transferring to any other corporation, association, or person any of the franchises which were granted to them. This latter provision has been wholly disregarded by the companies. The following proviso was inserted in this act, viz.: that "The United States may, for postal, military, or other purposes, purchase all the telegraph lines, property, and effects of any or all companies acting under the provisions of the act of July 24th, 1866, entitled 'An act to aid in the construction of telegraph lines, and to secure to the Government the use of the same for postal, military, and other purposes,' at an appraised value to be ascertained by five competent, disinterested persons, two of whom shall be selected by the Postmaster-General of the United States, two by the company interested, and one by the four so previously selected." It was also provided in the act that, before any telegraph company should exercise any of the powers or privileges therein conferred, such company should file its written acceptance with the Postmaster-General of the restrictions and obligations required by law. Each of the great telegraph companies now doing business in the United States, and especially those embraced in the recent consolidation, has filed with the Postmaster-General its written acceptance of the restrictions and obligations imposed by this act. Each of those companies is therefore bound to convey to the United States all of its lines, property, and effects, whenever the Government shall tender an amount equal to the appraised value, ascertained in the manner stated. The necessity for such appraisalment is apparent. It has been urged in objection to such an appraisalment that the telegraph companies would stock the board of appraisers with their own friends. This is possible, but not probable. A bill to provide for such appraisalment is now pending in Congress. The appraisers are to be appointed in the manner provided by law, and as agreed to by the companies. They cannot complain. Two of these appraisers must be appointed by the Postmaster-General.

So great will be the popular interest in such an appraisement, that no official can hope to escape public condemnation if he should falter in his duty in so important a matter. He will be expected to make his appointments from gentlemen of the highest character and approved integrity. Nor could the companies themselves afford to pursue a different course. The pending bill requires an inventory of all the property of the companies to be made, and the appraised value of each item to be given; and all the facts and evidence collected by the board of appraisers are to be printed and laid before Congress at its next December session. If the appraisement is too high, the fact will be apparent to every one, and the board of appraisers will be convicted before the public of gross official misconduct.

If the appraisement is exorbitant, it will be impossible to get a bill through Congress to pay the companies such exorbitant price for their property. It must not be assumed that the Government will be under any obligation to purchase the property of the companies at the appraised value. If the appraisers should so far forget the responsibilities of their position as to fix the value at an unreasonable amount, the appraisement would only serve to defeat the purchase of existing lines, and the Government might then proceed to establish lines of its own, and the extension of lines could be prosecuted with as great rapidity as the appropriations made by Congress would authorize. This would force the existing companies into competition with the Government lines, and compel them to adjust their rates according to the Government standard. An appraisement of existing lines, if it did not result in their purchase, would at least expose the fictitious values upon which the stock of such lines has been issued, and would furnish Congress with reliable information as to the cost of constructing and maintaining lines of its own. The bill referred to also provides that the President shall address circular letters to our diplomatic and consular representatives abroad, requesting them to report upon the working of postal telegraph systems in other countries. If this bill should pass, Congress, at its December session, would have before it all the facts necessary to an intelligent consideration and determination of the question.

There can be no objection to a Government postal telegraph system upon the ground of want of power in Congress to establish it. The Supreme Court of the United States has decided,

as above stated, in the Pensacola telegraph case, that the transmitting of telegraphic messages comes under the power of Congress to establish post-offices and post-roads. The Government may send letters by steam power, or messages by electricity. The Supreme Court of the United States having unequivocally construed the Constitution on this point, the question of power is settled beyond further discussion. The only question to be considered in connection with the matter is one of expediency.

Can a Government telegraph system be made self-sustaining at rates materially less than those charged by private companies? This question is answered by the experience of other governments. In England, the Government purchased all the telegraph lines of private companies ten years ago, paying therefor fifty million dollars. The price paid was exorbitant, and out of all proportion to the cost of the lines. The rates were immediately reduced, and lines extended to localities which had previously been without telegraph facilities. This entailed increased expenditures, and the reduction of rates caused large increase of business. The twenty-sixth report of the Postmaster-General of Great Britain, for the financial year ending 31st of March, 1880, reviews briefly the results achieved during the ten years which have elapsed since the telegraphs of the country were transferred to the Government. Some of the paragraphs of that report are of especial interest to this country. The Postmaster-General says:

"At the time of the transfer, the telegraph companies had 1992 offices, in addition to 496 railway offices at which telegraphic work was performed, making the total number of offices 2488. At the end of the past year there were 3924 post-offices, and 1407 railway stations open for telegraph work, making the total number of telegraph offices within the United Kingdom 5331.

"The number of instruments in use by the companies was 2200, exclusive of those on private wires. The number in use in the post-office has increased to 8151. . . .

"On taking over the telegraph, the post-office commenced with 5651 miles of telegraph line, embracing 48,990 miles of wire, and these numbers have been increased to 23,156 miles of line, embracing 100,851 miles of wire. . . .

"The total length of submarine cables connecting different parts of the United Kingdom was 139 miles in 1869. Last year it was 707 miles. . . .

"There were about 6,500,000 messages forwarded by the telegraph companies and by railway companies transacting public telegraph business, in the course of the year 1869. Last year the post-office forwarded 26,547,137 messages, so that the business has increased fourfold.

"The telegraph companies sent news to 144 towns, the number of subscribers being 306, including 173 newspaper publishers. Last year the post-office sent news to 313 towns, the number of subscribers, including 518 newspaper publishers, being 806.

"During the session of Parliament, the companies sent about 6100 words of news daily, and at other times about 4000 daily. The post-office during the last year sent an average of 25,697 words a day when Parliament was sitting, and 21,702 when Parliament was not sitting."

During the last ten years of Government control in Great Britain, the total revenue has every year exceeded the expenditure. Since 1874, the cost of extensions has been included in the expenses, and in recent years there were charged to the expenses of the telegraph system the purchase of a site for the new post-office at Manchester, and also large sums paid to railroad companies in settlement of arrears. During the same time, the Government service has been performed without cost and without entering the amount in the receipts. The value of the telegraph work performed for Government account without payment during the year ending March 31st, 1880, was \$76,910, and the net revenue of the service for the same year, including the Government service, was \$1,781,520. For the ten years of Government control, the receipts have exceeded the expenditures nearly \$10,000,000, not including the value of the service performed for the Government. This does not include interest upon the original investment, but does include the cost of extensions since 1874, and all other expenses of maintaining and extending the service. But if we take into consideration interest on the original investment, such interest should be computed upon the actual cash value of the plant, and not upon the exorbitant price paid. It is a well-known fact that the Government paid four or five times more to the companies than the property was actually worth. Our Government will certainly not be betrayed into making a similar blunder. If the cash value of the plant be estimated at \$20,000,000, the service has yielded five per cent. interest upon such investment. But as the plant when purchased was reasonably worth only half that amount, the profits realized have equaled ten per cent. upon such actual value, besides all the expenses of the service.

The charge for telegrams throughout the United Kingdom is one shilling—or twenty-five cents—for the first twenty words, and six cents for every additional five words or part of five words; the names and addresses of the sender and receiver are not counted.

The charges for press telegrams are one shilling for every one hundred words or portion of one hundred words, handed in between six P. M. and nine A. M., and one shilling for every seventy-five words, or portion of seventy-five words, handed in between nine A. M. and six P. M., with an additional charge of four cents per one hundred words, or four cents per seventy-five words, as the case may be, for every additional address.

Telegraph stamps of various denominations are prepared and sold, the same as postage stamps.

The writer is indebted to Mr. J. H. Blackfan, United States Superintendent of Foreign Mails, for the following statement of

RECEIPTS AND EXPENSES OF INTERIOR TELEGRAPH SERVICE IN
SOME OF THE PRINCIPAL COUNTRIES OF EUROPE.

Country.	Date of Report.	Internal Tariff per 20 words.*	Receipts.	Expenses.
France† . . .	1877	16.28 cts.	\$3,203,800.00	. — —
Belgium‡ . .	1878	8.14 “	426,258.84	\$518,698.30
Germany† . .	1876	24.42 “	2,441,529.90	3,798,133.23
Italy†	1875	16.28 “	1,451,088.64	1,200,430.47
Switzerland‡	1879	13.01 “	400,763.04	314,893.39
Russia† . . .	1874	32.56—\$1.30 ²⁴ / ₁₀₀ §	3,046,559.08	2,377,993.56

NOTE.—In the above table, the *franc* is estimated at 19³/₁₀ cents; the *mark* at 23⁸/₁₀; the *lira* at 19¹/₁₀; and the *rouble* at 66²/₁₀.

The rates in the foregoing table are estimated upon the basis of twenty words for each message; but, in the governments of Belgium, Switzerland, and France, ten words may be sent in one message, exclusive of addresses, to any distance within the country for ten cents.

A comparison of the rates paid for telegraphic communica-

* From official report published by the Austrian Statistical Bureau, Vienna, 1880.

† From “Statesman’s Year-Book, 1878.”

‡ From original reports from Belgian and Swiss offices.

§ According to distance.

|| According to a statement in the “Statesman’s Year-Book, 1878,” there were annual deficits from the establishment of the Public Telegraph Department, in March, 1851, till the end of 1876. (No later data accessible at Office of Foreign Mails.)

tion by the people in the principal countries of Europe, under a government system, will show how great is the imposition practiced upon the people of this country by the present telegraph companies. The average price paid per message in the United States is over thirty-eight cents, according to the official reports of the Western Union Company. The ordinary message is restricted to ten words. But, in England, the ordinary message may contain twenty words, which is sent throughout the kingdom for twenty-five cents; and the average charge of all messages sent for the past year was but twenty-seven cents. In explanation of this fact, the company will claim that the distances are much greater in this country. But, as the principal expense is in sending, receiving, and delivering the messages, the matter of distance is of but little consequence. It is a well-ascertained fact that every reduction in rates has produced a large increase of business, as well as augmented the receipts of the service. With a Government system in this country, we might reasonably expect a reduction of rates to not exceeding twenty cents for twenty words to any part of the United States and the Territories, a large increase in the number of offices, and an enormous increase in the number of messages. How long the people will forego such benefits, and permit the exactions and extortion of private companies, remains to be seen. The commercial and social benefits to the people which would immediately follow increased telegraphic communication at reasonable rates, in a country of the vast extent of our own, can scarcely be estimated. The press of the country is especially interested in securing increased facilities for the transmission of news. Under a Government system, private wires might be rented both to the Associated Press, and to newspaper publishers whose business would justify it, at rates which would merely reimburse the Government for the cost of constructing and maintaining the press wires, in connection with other Government wires upon the same lines. Boards of trade could also secure the separate use of wires connecting the principal cities of the Union; and all classes of people, both for social and business purposes, could obtain telegraph facilities at reasonable rates.

The Western Union Company not only enjoys a monopoly of the business of transmitting messages by telegraph, but also a monopoly of commercial intelligence. Two of the directors of the company are reputed to be worth two hundred million dollars,

and practically control the railway transportation of the whole country. They may raise or depress the prices of all agricultural products at their will, by raising or reducing freights. Add to this immense power a monopoly of all commercial intelligence, and they may deal in "futures" of corn, wheat, cotton, and other products, with absolute certainty of success. With such opportunities, the only limit of their gains will be the amount of tribute which the agriculture and business of the country can yield. Farmers, shippers, merchants, and traders will be permitted to earn a living, if they are careful and frugal, but beyond that they must not hope to go. The transportation and telegraph monopoly will gather in all the rest. Under a Government system, intelligence at least would be furnished to all alike. Under stringent laws and regulations, the telegraph and the mails would be alike at the service of all. "First come, first served" would be the imperative law of the land, and the secrecy of messages could be as sacredly preserved as is the secrecy of letters in the mails.

The most potent argument advanced against a Government postal telegraph is that the increased number of employés would place too great power in the hands of the Federal Administration, and that the telegraph might be used as an engine of political oppression. If there were no means of preventing by legislation such a result, the argument would be almost decisive. Yet, even though this result were not preventable, there would still remain the choice of evils between a system liable to abuse by being used to secure political ascendancy, and a system controlled wholly by personal cupidity and corporate greed. But the legislation that provides for a Government system should be so carefully framed that it will not only secure a telegraph service conducted upon strict business principles, but also free the postal service from the control of politicians, and place the whole business of transmitting intelligence under non-partisan management. There should be at least one branch of the public service entirely beyond the reach of all partisan considerations. As the transmission of letters and telegrams concerns the great body of the people, this service should be conducted with strict impartiality, and freed from all the exigencies of party. Legislation securing this result once obtained, its salutary benefits would be a sufficient guarantee against its repeal.

WILLIAM M. SPRINGER.